

**STATE OF ILLINOIS**

**ILLINOIS COMMERCE COMMISSION**

Wisconsin Energy Corporation, Integrys Energy )  
Group, Inc., Peoples Energy, LLC, The Peoples )  
Gas Light and Coke Company, North Shore Gas )  
Company, ATC Management Inc., and American )  
Transmission Company LLC )

Docket No. 14-0496

)  
Application pursuant to Section 7-204 of the Public )  
Utilities Act for authority to engage in a )  
Reorganization, to enter into agreements with )  
affiliated interests pursuant to Section 7-101, and )  
for such other approvals as may be required under )  
the Public Utilities Act to effectuate the )  
Reorganization. )

**DIRECT TESTIMONY OF KAREN WEIGERT**

**ON BEHALF OF THE CITY OF CHICAGO AND THE CITIZENS UTILITY BOARD**

**CITY/CUB EXHIBIT 2.0**

**NOVEMBER 20, 2014**

2     **I.       QUALIFICATIONS AND SUMMARY OF TESTIMONY**

3     **Q.       What is your name and title?**

4     A.       My name is Karen Weigert. I am the City of Chicago's ("City") Chief Sustainability  
5           Officer.

6     **Q.       What is your education, training, and experience?**

7     A.       Prior to my appointment as Chief Sustainability Officer for the City, I worked at  
8           ShoreBank (later Urban Partnership Bank) where I led a national consumer group that  
9           generated deposits to support environmental sustainability and community development  
10          in low- to moderate-income urban neighborhoods. Before my work in community  
11          banking, I was a strategy consultant at McKinsey where I served clients on topics  
12          including transportation, finance, energy, and land use. I began my career as an  
13          investment banker at Goldman Sachs and later served as an appointee in the Clinton  
14          administration focused on global environmental issues and agriculture. I am also a  
15          producer and writer for the documentary *Carbon Nation*, which focused on solutions to  
16          climate change. I am also a former board member of CNT, Foresight Design Initiative,  
17          and Earth School Educational Foundation.

18          I have a B.A. degree in Government and International Studies from Notre Dame  
19          University. I also have an M.B.A. from Harvard University.

20    **Q.       What are your duties at the City?**

21    A.       As Chief Sustainability Officer, I work to guide the City's sustainability strategy and  
22          implementation, bringing innovative, practical solutions throughout the work of the City.

As part of this overall strategy, my duties include the development of a coordinated and comprehensive energy policy for Chicago to improve energy efficiency across the City and encourage innovation in the generation, distribution, and consumption of energy.

**Q. On whose behalf are you testifying today?**

A. I am testifying on behalf of the City and the Citizens Utility Board (“CUB”).

**Q. Have you testified before the Illinois Commerce Commission or any other court or administrative proceeding?**

A. Yes. I testified on behalf of the City in Illinois Commerce Commission (“ICC”) Docket Number 12-0298, regarding the initial Advanced Metering Infrastructure Plan of Commonwealth Edison Company (“ComEd”).

**Q. What conclusions do you reach in your testimony?**

A. I conclude that:

- As a condition of reorganization, and in order to protect the interests of the ratepayers of Peoples Gas Light and Coke Company (“PGL”) and North Shore Gas Company (“NS”) under the proposed reorganized corporate structure, Joint Applicants (“JA”) Wisconsin Energy (“WE”) and Integrys Energy Group (“Integrys”) should be ordered to:
  - add \$10 million in gas energy efficiency programming that is not funded by ratepayers of PGL or NS;
  - not increase the fixed charge portions of PGL and NS natural gas delivery services for the length of any rate freeze established in this proceeding;

- issue a public report examining the costs and benefits of implementing energy efficiency programming through a third party rather than through the utilities;
- create, maintain, and offer an electronically accessible energy use database for aggregated, building-level energy use, similar to ComEd's EUDS;
- work with the City and academic researchers to create an updatable database of actual usage patterns for all ratepayers of PGL and NS; and
- change the On Bill Financing programs of both PGL and NS to open the program to more ratepayers and to fund a greater number of measures through the program.

I explain the bases and need for these requirements in the following testimony.

As to energy efficiency issues general, my understanding is that the JA have committed to "work with interested stakeholders to develop recommendations." I appreciate that initial offer. However, that proposal does not specify who receives any recommendations and what effect those recommendations might have. More certainty is needed, as the decision making for the utilities' energy efficiency programming moves farther from the affected ratepayers. This testimony provides the specific recommendations of the City and CUB.

## **II. DELIVERING MORE ENERGY EFFICIENCY FUNDING TO PGL AND NS RATEPAYERS**

**Q. What is the current state of the energy efficiency programming for PGL and NS?**

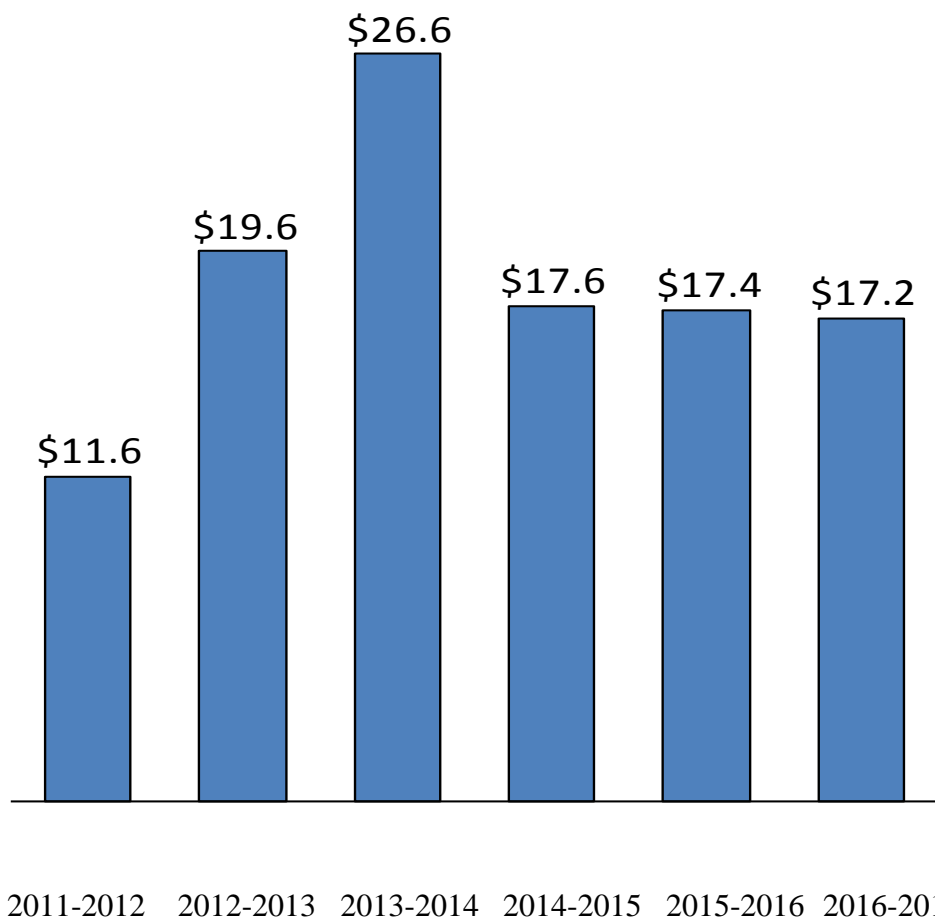
65 A. I am not an attorney, but it is my understanding that PGL and NS are able to charge their  
66 ratepayers amounts up to the rate cap contained in Section 8-104 of the Public Utilities  
67 Act for monies to implement, offer, and incentivize their natural gas energy efficiency  
68 portfolio standard (“EEPS”). The EEPS is intended to “reduce direct and indirect costs to  
69 natural gas consumers.” 220 ILCS 5/8-104(a).

70 Although the General Assembly has authorized PGL and NS to implement energy  
71 efficiency measures that save a specified number of therms each Program Year, the latest  
72 order approving PGL and NS plans for Section 8-104 programs allows them to pursue  
73 programs that save less than the statutory goals, notwithstanding the fact that both  
74 utilities continue to collect the full statutory amount of ratepayer funds authorized by the  
75 General Assembly. ICC Dkt. No. 13-0550, Final Order at 7 (May 20, 2014). I believe  
76 that PGL and NS can achieve greater savings, even within the budget constraints of the  
77 legislation.

78 In plain language, this means that ratepayers are paying full price for delivery of less than  
79 the full measures of product (energy savings) than the legislature intended.

80 **Q. What is the history of the EEPS budget for PGL?**

81 A. Below is a bar graph depicting PGL’s EEPS budget, in millions of dollars, based on  
82 filings made with the ICC:

**Figure 1: PGL EEPS BUDGETS (2011-2017)**

87

88

89

90

91

92

93

94

95

Based on these data, it is my understanding that PGL's EEPS budget will decline by approximately 9.5% between 2011-2014 and 2014-2017. In all fairness, I agree with the utilities that much of the low-hanging fruit has been picked, and that incremental efficiency gains are now more difficult to achieve than they were during Program Years 1-3. However, PGL's and NS' rate increases continue to impact the residents of Chicago (as discussed further by Christopher Wheat in his testimony submitted as City/CUB Exhibit 1.0), offering little if any decrease in end-user natural gas costs, despite lower

natural gas prices. To me, the decrease in funding means that there will be fewer dollars available to implement measures that reduce ratepayer costs.

**Q. What is the history of non-EEPS funding for energy efficiency programming available to PGL's ratepayers?**

A. The following table provides a summary of the other major sources of funding for energy efficiency programming that was available to PGL's ratepayers over the past seven years:

**Table 1 – SOURCES OF NON EEPS FUNDING FOR ENERGY EFFICIENCY PROGRAMS**

Funding Source	Administrator(s)	Time Period	Use of Funds	Geographic Reach	Amount
Peoples Gas Settlements (Enron & Integrys Merger)	City of Chicago, Illinois Attorney General	2008-2013	Retrofits, solar installations, weatherization kits, community engagement, job training	City of Chicago (all low-moderate income)	\$28 Million
Energy Efficiency Community Block Grants	Chicago Metropolitan Agency for Planning	2011-2013	Retrofit rebates, financing, marketing/outreach, working development	Chicagoland 6-county region + Rockford	\$25 Million (Not all was available for residential)
<b>TOTAL</b>					<b>\$53 Million</b>

As far as I know, these funds are no longer available to PGL's ratepayers. In addition to facing relentless rate increases over the same time period, PGL's ratepayers have also faced a 200% increase in the fixed charge for natural gas delivery services. This means that, even if certain ratepayers are sincerely attempting to reduce their bills through energy efficiency efforts (including through EEPS programs funded by ratepayers under Section 8-104), they may be unable to avoid bill increases due to the ever-increasing fixed monthly charge portion of their natural gas delivery services bill.

**Q. How do the funding histories of EEPS and other programming affect the ability of Chicago residents to be more energy efficient?**

A. The reduction in EEPS budgets and the loss of outside-EEPS funding compounds the inability of many Chicagoans to afford their natural gas delivery bills. In particular, the termination of the Peoples Gas Settlement funding has a direct effect on low and moderate income ratepayers in Chicago, since those funds were earmarked for spending on those income groups.

**Q. In your view, what is needed to protect PGL and NS ratepayers?**

A. As I noted earlier, PGL customers have been paying the full measure of allowed EEPS budgets, but they have not received the full measure of EE programming from the utility. A reorganization presents the possibility that the excess of ratepayer contributions over delivered utility programs will become just another revenue stream flowing out of Chicago to the proposed acquiring company. PGL's ratepayers already have paid for more than PGL has provided. That programming deficiency and any future excess

126 payments are in danger of being forgotten in the reorganization, extinguishing any chance  
127 PGL's ratepayers might have to recoup value for the dollars.

128 To protect ratepayers against that possibility, if the Commission approves the proposed  
129 reorganization, it should order the Joint Applicants' shareholders to fund \$10 million of  
130 new energy efficiency programming. Using shareholder funds avoids the barriers  
131 associated with some EEPS programming under Section 8-104, thus allowing for a more  
132 complete range of measures to be funded. PGL and NS ratepayers have already paid the  
133 full amount of charges authorized by the General Assembly to implement EEPS  
134 measures; even as the utilities' savings goals associated with those collections from  
135 customers have been reduced. Despite the success of many of the existing EEPS  
136 programs, ratepayers should not be asked to shoulder even more payments when their  
137 EEPS funding is not returning the savings contemplated by the General Assembly in the  
138 first place.

139 **Q. What does PGL's history with respect to energy efficiency programs suggest about**  
140 **how the Commission should address these issues in any reorganization approval?**

141 A. In 2006-2007, during the formation of Integrys, Integrys committed to propose and  
142 implement \$7.5 million in energy efficiency programming. *See* ICC Dkt No. 06-0540,  
143 Final Order (Feb. 7, 2007). However, despite that commitment, since 2007, PGL's  
144 delivery service rates have risen by 65% while PGL's budget for EEPS funding has fallen  
145 by almost 10%. Over the same period, non-EEPS funding has fallen even further.  
146 Inflation alone is (cumulatively) at approximately 15% over that timeframe. In sum, the  
147 commitment made during PGL's last reorganization has proved to be worth very little.

Without close monitoring and some enforcement mechanism, commitments may or may not deliver promised benefits. The alternative, of course, is to compel delivery of promised ratepayer benefits upfront, reversing the pattern of shareholder benefits now and ratepayers benefits that may or may not materialize later.

In my opinion, a commitment to make an immediate \$10 million contribution to energy efficiency programming is a doable but significant step for WE's shareholders. It would provide Chicagoans the benefits they are paying for, and it could fund a wider range of programs to capture savings opportunities that are not low-hanging. There is no indication that the new decision makers, after approval of a reorganization, will be more inclined (than PGL has been) to honor the aims of Section 8-104 and use all the funds collected from PGL ratepayers to fund effective programs to reduce their energy use and to lower their gas utility bills.

The Joint Applicants should also commit to not increase any further the fixed portions of PGL and NS delivery service bills. As discussed above and further in Christopher Wheat's testimony, these fixed charges have a significant impact on Chicago's most vulnerable families and seniors. It is my understanding that WE has proposed to increase the fixed charges for some of its utilities in Wisconsin and has proposed fees on customers seeking to supply themselves with distributed generation sources. Given proposals such as that, it appears to me that WE's corporate policies are diametrically opposed to the General Assembly's and the ICC's policy statement in favor of energy efficiency through compatible rate structures. It is imperative that the Commission act to protect PGL and NS ratepayers from further rate and fixed charge increases that undermine the effectiveness of energy efficiency programs, especially in light of the

revenue stability provided by several riders PGL and NS currently employ (e.g. Rider VBA, Uncollectibles Rider, Storage Costs Rider, etc.).

**III. ANALYZING WHETHER ENERGY EFFICIENCY PROGRAMMING SHOULD CONTINUE TO BE OFFERED BY PGL AND NS**

**Q. How are PGL and NS EEPS programs administered?**

A. My understanding is that PGL and NS collect revenues directly from their ratepayers through their delivery service bills. Those revenues are then administered through PGL and NS staff and third party vendors to offer or incentivize energy efficiency measures for ratepayers.

**Q. How are WE's energy efficiency programs administered?**

A. I believe they are administered by a third party called Focus on Energy Wisconsin. Like Efficiency Vermont, which is run by a private nonprofit organization called Vermont Energy Investment Corporation, this third party administrator does not have the same incentive conflicts that utilities have. This model allows a third-party administrator, instead of the utilities, to make programmatic and strategic decisions affecting which measures are deployed and how much funding is used, as opposed to the use of third-party vendors controlled by the utilities. Despite the incessant march towards higher and higher fixed monthly charges, utilities' interests are still benefitted by increased throughput. The third party administrator model thus, theoretically, removes this overarching disincentive and allows the administrator to champion and implement programs that will be successful in reducing overall energy use. With a third-party administrator of energy efficiency programming, the administrator's measures of success,

193 to maximize reductions in energy use, would align closely with the common goals  
194 defined by the General Assembly for the gas EEPS, by the recent decisions of the ICC to  
195 encourage greater energy efficiency, and by the policies of the City (stated in the Chicago  
196 Climate Action Plan and Sustainable Chicago 2015). Although I have not studied each of  
197 these programs thoroughly, it is my understanding that some form of third-party  
198 administration is also conducted in Connecticut, New York, Oregon, New Jersey, and  
199 Hawaii.

200 **Q. What should the Commission order as a reorganization condition with respect to the**  
201 **administration of PGL and NS EEPS programs?**

202 A. Given PGL's track record and the demonstrated policy preferences of the proposed  
203 acquiring company, the Commission should at the very least, investigate the possibility of  
204 implementing a solution Wisconsin has used to respond to the incentive conflict I have  
205 described. In order to explore an alternative way to spend dollars more effectively on  
206 energy efficiency, despite the incentives for PGL and NS to increase usage and reduce  
207 EEPS goals, the Commission should order that that the JA fund a study of the potential  
208 costs and benefits of third party administration of PGL and NS EEPS programs. Illinois  
209 ratepayers deserve no less than Wisconsin ratepayers in terms of effective energy  
210 efficiency initiatives.

211 Given the Illinois Power Agency's ("IPA") experience with administration of some third-  
212 party energy efficiency programs outside the EEPS, the Joint Applicants' study should  
213 explicitly solicit and include the IPA's feedback. Since PGL and NS already utilize  
214 outside vendors to implement significant portions of the EEPS, I believe conducting a

215 detailed study to examine the costs and benefits of such an approach is the prudent course  
216 to ensure savings are maximized within constrained budgets.

217 **IV. OBTAINING VALUE FOR PGL AND NS RATEPAYERS FROM UTILITY-**  
218 **HELD DATA**

219 **Q. How can energy usage data be used by the City or its partners to deliver energy**  
220 **management value to Chicago residents?**

221 A. Energy usage data can deliver value to City residents in many ways, including but not  
222 limited to, providing information to residents about reducing their energy usage,  
223 providing information to target economic development opportunities, and to study the  
224 need for and efficient delivery of customer assistance programs. Each of these results  
225 would support the clear legislative, regulatory, and local government policies on energy  
226 management. In addition, usage data can be essential for compliance with the City's  
227 Building Energy Use Benchmarking Ordinance ("Ordinance"), City of Chicago  
228 Municipal Code Chapter 18-14. Under this ordinance, covered building owners must  
229 report certain aggregated energy usage information to the City.

230 One tool that building owners in Chicago can use to comply with the Ordinance is  
231 ComEd's Energy Usage Data System ("EUDS"). The EUDS provides building owners  
232 with an easy, online, automated way to obtain aggregated usage information regarding  
233 their buildings. This tool protects customer privacy by not disclosing data for buildings  
234 with fewer than three accounts. Without the EUDS tool, building owners would face  
235 significant threshold costs merely to evaluate the efficiency of measures installed in their

buildings.<sup>1</sup> PGL did create a system earlier this year, which I greatly appreciate, to offer basic aggregate energy usage data for buildings. However, this system is only partially automated and does not offer the year round functionality of ComEd's EUDS.

In addition to the usage data gathered in compliance with the Ordinance, the City has also developed a database to analyze Chicago's energy usage (both gas and electric) on a block-by-block basis. This data has been used by the City to evaluate the expenditure of resources and the design of outreach for energy efficiency programs. Natural gas use data was merged with electric use data and building data in order to illustrate energy usage data on the basis of specific census blocks. This data was further delineated by the type of building using that energy (commercial, residential, industrial). The City publicized the output of this dataset through its online data portal, ensuring that individual customer usage data could not be discerned from the public dataset. Detailed data, such as the usage data used for this portal, is required for any successful research program, especially programs whose goal is to improve the savings received from energy efficiency and dynamic pricing programs. This type of data is also crucial to answering research questions regarding housing characterization studies, understanding how local conditions vary from national averages, and to coordinate gas and electric energy efficiency programs.

**Q. What should the Commission order as a reorganization condition with respect to data sharing?**

---

<sup>1</sup> In 2011, the National Association of Regulatory Utility Commissioners ("NARUC") adopted a Policy Resolution endorsing whole-building energy benchmarking, include use of a benchmarking tool. NARUC, Policy Resolutions Passed by the Board of Directors of NARUC (July 20, 2011), available at <http://www.naruc.org/Resolutions/Resolution%20on%20Access%20to%20Whole-Building%20Energy%20Data%20and%20automated%20Benchmarking.pdf>

256 A. The Joint Applicants should be required to offer a ComEd EUDS-like system to access  
257 aggregated natural gas usage data for buildings. At a minimum, this system should be  
258 fully automated, should offer timely data, and offer the quality of data that is relied on by  
259 PGL and NS to issue bills. In addition to developing the system, the Joint Applicants  
260 should commit to provide ongoing technical and staffing support for possible issues with  
261 using the system.

262 The Joint Applicants should be required to work with the City and its academic research  
263 partners to create an ongoing, updatable database of actual natural gas usage data that  
264 protects the privacy of ratepayers. As a research hub, the City and its academic partners  
265 can use this type of data to maximize the investments made by ratepayers and PGL and  
266 NS.

267 **V. IMPROVING PGL's ON BILL FINANCING PROGRAM**

268 **Q. What are the specific details of PGL's on bill financing ("OBF") program?**

269 A. First established in 2011, PGL earmarked \$2.5 million for the OBF program. One goal of  
270 the OBF program is to enable a new pool of consumers – many of whom may not  
271 otherwise have access to financing – to take advantage of energy efficient products and  
272 technologies that may have significant up front or longer-term costs. ICC Dkt. No. 10-  
273 0090, Final Order at 32. Currently, PGL has three energy efficiency measures that are  
274 eligible for the OBF program (two types of boilers and one type of furnace). City/CUB  
275 Ex. 2.1 (JA DRR to City 5.05). PGL has financed approximately \$492,403.70 through  
276 the OBF program and has lost \$3,453.50 in OBF loan revenues, representing a loss of  
277 only 0.992 percent of the total amount financed. City/CUB Ex. 2.1 (JA DRR to City

278 5.05, 5.06). No Rate 2 customers have qualified for loans through OBF. City/CUB Ex.  
279 2.1 (JA DRR to City 5.05). The Commission has already recognized the fact that these  
280 loans hold little to no risk for PGL, as the negligible loss actually experienced confirms.  
281 ICC Dkt. No. 10-0090, Final Order at 32.

282 **Q. What are the PGL's plans for the OBF program?**

283 A. PGL plans to expand the availability of OBF programs to residential and multifamily  
284 weatherization programs, including air sealing measures. ICC Dkt. No. 13-0550, PGL  
285 Compliance Filing at 4.

286 **Q. What have been the effect of any barriers to greater utilization of the OBF**  
287 **program?**

288 A. Low participation has been a problem for PGL's OBF program. The Commission has  
289 indicated that it shares the concern around low participation and looks forward to ways to  
290 address that problem. ICC Dkt. No. 11-0698, Final Order at 7.

291 Potential participants may be deterred by the use of credit history as an eligibility  
292 criterion, especially since the population targeted by the OBF program (those for whom  
293 initial upfront costs of energy efficiency equipment deter participation in the market for  
294 energy efficiency measures) generally has a lower credit score than the average market  
295 participant. The higher credit scores required by PGL may mean that there are fewer  
296 customers with lower-credit scores utilizing OBF, and few incremental users of energy  
297 efficiency equipment, since customers with higher credits scores likely have access to  
298 other sources of financing and do not face the barrier of lower-credit scores.

Potential participants may also be deterred by the limited number of measures currently deemed eligible for OBF by PGL. By enacting Public Act 98-0586, it is my understanding that the General Assembly intended to allow any measure that is approved as part of PGL's EEPS to be eligible for the OBF program. Examples of measures that are part of EEPS but not explicitly included in the OBF program are attic and wall insulation, tankless water heaters, pipe insulation, duct sealing, air conditioner replacement, and stream traps.

**Q. How can those barriers be addressed by conditions in a Commission order, if the Commission approves the Joint Applicants' proposed reorganization?**

A. The ICC has already recognized the goal of making the eligibility screens more inclusive for OBF, stating that "the Commission does not want the program to exclude customers who could benefit from energy efficiency measures because they do not meet traditional credit standards." ICC Dkt. No. 10-0090, Final Order at 32. Especially given the extraordinarily low rate of loss (less than 1 percent), PGL's OBF program should be expanded to include those ratepayers who may not qualify based on their credit history but may qualify based on their bill payment history. It is my understanding that Ameren Illinois Company is already attempting to implement this method of eligibility screening. In order to provide the greatest number of cost-effective choices possible to potential OBF participants, PGL's OBF program for both single family and multifamily participants should explicitly include all measures that are part of PGL's EEPS. These programs have already been found to be cost-effective by the ICC. It makes little sense to finance a boiler upgrade if a potential home also needs attic insulation or other forms

321 of weatherization. In order to attract more participants, and in order to maximize the  
322 effectiveness of the measures and resulting savings that can be offered by financed  
323 energy efficiency measures, PGL's OBF program should consider all EEPS measures  
324 eligible for financing.

325 **Q. Does this conclude your direct testimony?**

326 **A. Yes.**